

**SPANISH FORK/SPRINGVILLE AIRPORT
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2006**

SPANISH FORK/SPRINGVILLE AIRPORT

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

September 22, 2006

**Airport Board of Directors
Spanish Fork/Springville Airport**

Council Members:

I have audited the accompanying financial statements of the governmental activities and each major fund of Spanish Fork/Springville Airport (Airport), as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Airport's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Airport as of June 30, 2006, and the respective changes in financial position of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 22, 2006 on my consideration of the Airport's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

 CPA
Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Spanish Fork/Springville Airport, we offer readers of the Airport's financial statements this narrative overview and analysis of the financial activities of Spanish Fork/Springville Airport for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net assets of Spanish Fork/Springville Airport decreased slightly, dropping by \$78,306 to \$3,842,303. The decrease was caused by depreciation exceeding capital outlays by \$92,663 for the year.
- The total net assets of \$3,842,303 are made up of \$3,687,580 in capital assets net of related debt and \$154,723 in other net assets.

REPORTING THE AIRPORT AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Spanish Fork/Springville Airport's basic financial statements. Spanish Fork/Springville Airport's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Spanish Fork/Springville Airport's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Spanish Fork/Springville Airport's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Spanish Fork/Springville Airport is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the Airport's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Spanish Fork/Springville Airport, assets exceed liabilities by \$3,842,303.

The majority of Spanish Fork/Springville Airport's net assets (96.0%) reflect its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Airport uses these capital assets to provide services; consequently, these assets are not available for future spending.

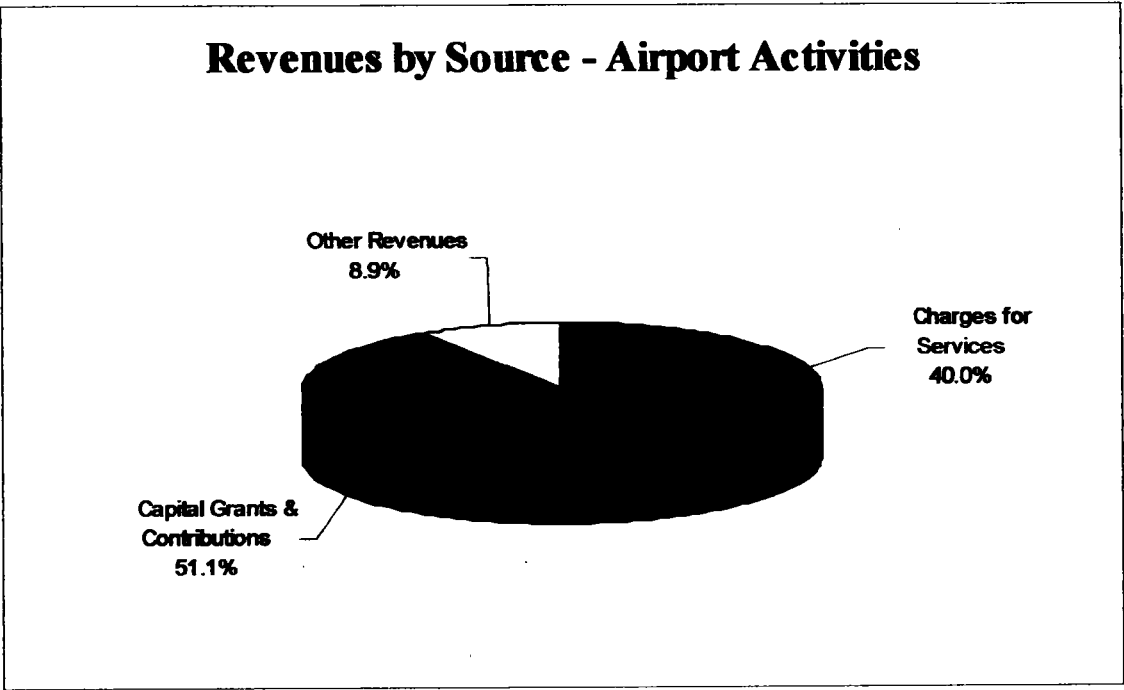
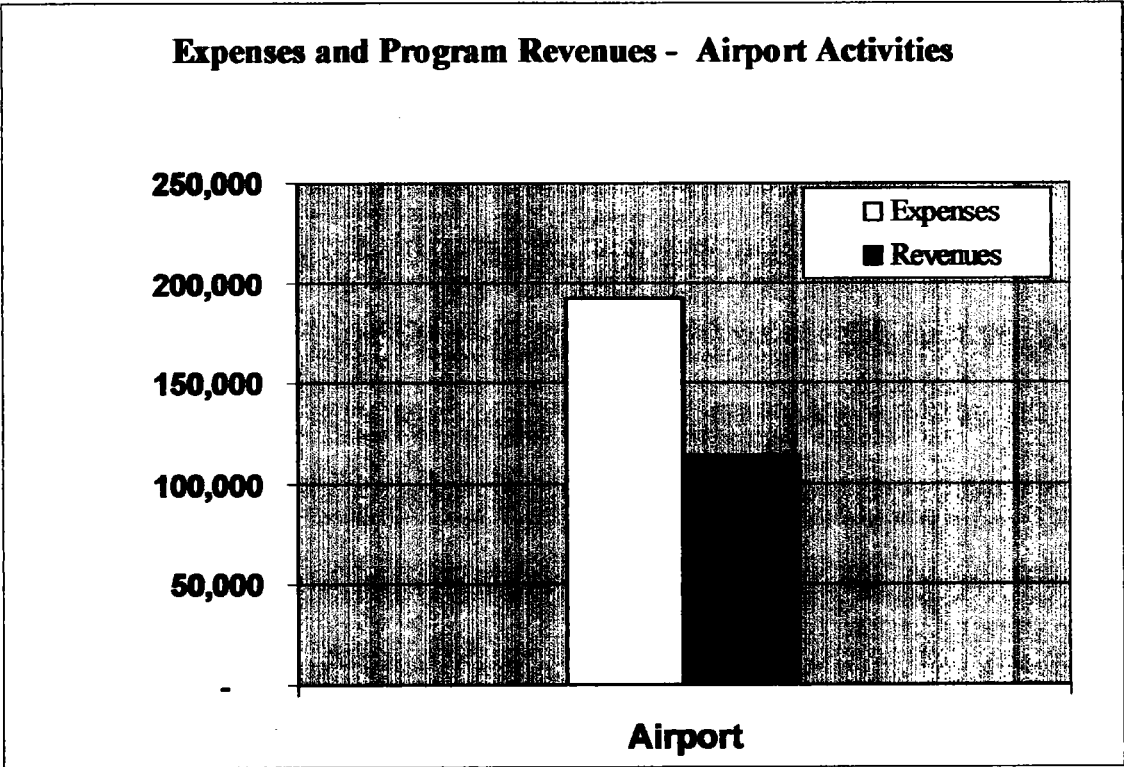
STATEMENT OF NET ASSETS (In dollars)

	Airport Activities	
	2005-2006	2004-2005
Current and Other Assets	157,952	140,366
Capital Assets	3,687,580	3,780,243
Total Assets	3,845,532	3,920,609
Long-term Debt Outstanding	-	-
Other Liabilities	3,229	-
Total Liabilities	3,229	-
Net Assets:		
Invested in Capital Assets, Net of Debt	3,687,580	3,780,243
Unrestricted	154,723	140,366
Total Net Assets	3,842,303	3,920,609

CHANGES IN NET ASSETS (In dollars)

	Airport Activities	
	2005-2006	2004-2005
Program Revenues:		
Charges for Services	45,590	33,919
Operating Grants and Contributions	-	-
Capital Grants and Contributions	58,246	645,228
General Revenues:		
Other Revenues	10,204	4,476
Total Revenues	114,040	683,623
Airport Expenses	192,346	163,781
Total Expenses	192,346	163,781
Change in Net Assets	(78,306)	519,842
Net Assets Beginning	3,920,609	3,400,767
Net Assets Ending	3,842,303	3,920,609

The following graphs display the government-wide activities for governmental activities reflected in the above tables.



Fiscal 2005-2006 was an unusual year for revenues. Capital grants and contributions from state and federal agencies typically make up the bulk of revenues. However, with

the decrease in Fiscal 2005-2006 capital grants, service fees and other revenues made up a proportionately larger percentage of the overall revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Spanish Fork/Springville Airport's investment in capital assets as of June 30, 2006, amounts to \$3,687,580 (net of accumulated depreciation). This investment in capital assets includes land and improvements. The Airport's investment in fixed assets for the current year decreased by \$92,663.

Major capital asset events during the current fiscal year included the following:

- Installation of security fencing, \$58,246.

Additional information on the Airport's capital assets can be found in the footnotes to this financial report and also the supplemental section.

NEXT YEAR'S BUDGET

The Airport budget for the fiscal year-ending June 30, 2007 reflects a decrease to \$799,770 compared to \$2,107,000 for the prior fiscal year revised budget ending June 30, 2006. The decrease is due to lower capital grants from federal and state agencies. Large grants for property purchases included in the previous budget were not required in Fiscal 2006-2007.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Spanish Fork/Springville Airport's finances for all those with an interest in the Airport's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Finance Director, Springville City, 50 S Main St, Springville, UT 84663.

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BASIC FINANCIAL STATEMENTS

SPANISH FORK/SPRINGVILLE AIRPORT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 149,012
Accounts Receivable	8,940
Capital Assets	
Non Depreciable	1,766,518
Depreciable Assets (net of Depreciation)	<u>1,921,062</u>
 TOTAL ASSETS	 <u>3,845,532</u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	<u>3,229</u>
TOTAL CURRENT LIABILITIES	<u>3,229</u>
 TOTAL LIABILITIES	 <u>3,229</u>
 <u>NET ASSETS</u>	
Investment in Capital Assets, Net of Related Debt	3,687,580
Unrestricted	<u>154,723</u>
 TOTAL NET ASSETS	 <u>\$ 3,842,303</u>

See the accompanying notes to the financial statements

FOR THE YEAR ENDED JUNE 30, 20068

SPANISH FORK/SPRINGVILLE AIRPORT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2006

	<u>General</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 149,012
Accounts Receivable	<u>8,940</u>
 TOTAL ASSETS	 <u>\$ 157,952</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 3,229
 <u>EQUITY</u>	
Unreserved	 <u>154,723</u>
 TOTAL FUND EQUITY	 <u>\$ 157,952</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 154,723
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*Amounts reported for governmental activities in the statement
of net assets are different because*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	<u>3,687,580</u>
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TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,842,303</u>
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See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>General</u>
<u>REVENUES</u>	
Federal Grants	\$ 58,246
Rental Fees	45,590
Interest	4,538
Miscellaneous	<u>5,666</u>
TOTAL REVENUES	<u>114,040</u>
<u>EXPENDITURES</u>	
Administration	18,171
Professional Fees	2,490
Insurance	3,105
Airport Improvements	<u>75,917</u>
TOTAL EXPENDITURES	<u>99,683</u>
EXCESS OF REVENUES OVER EXPENDITURES	14,357
BEGINNING FUND BALANCE	<u>140,366</u>
ENDING FUND BALANCE	<u>\$ 154,723</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

EXCESS OF REVENUES OVER EXPENDITURES	\$ 14,357
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Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(92,663)

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS	\$ <u>(78,306)</u>
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See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Federal Grants	\$ 2,002,000	\$ 2,002,000	\$ 58,246	\$ (1,943,754)
Rental Fees	33,500	46,000	45,590	(410)
Interest	2,200	3,500	4,538	1,038
Miscellaneous	<u>2,400</u>	<u>4,000</u>	<u>5,666</u>	<u>1,666</u>
 TOTAL REVENUES	 <u>2,040,100</u>	 <u>2,055,500</u>	 <u>114,040</u>	 <u>(1,941,460)</u>
 <u>EXPENDITURES</u>				
Airport Operating Costs and Improvements	<u>2,103,850</u>	<u>2,107,000</u>	<u>99,683</u>	<u>2,007,317</u>
 TOTAL EXPENDITURES	 <u>2,103,850</u>	 <u>2,107,000</u>	 <u>99,683</u>	 <u>2,007,317</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u>\$ (63,750)</u>	 <u>\$ (51,500)</u>	 <u>\$ 14,357</u>	 <u>\$ 65,857</u>

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Spanish Fork/Springville Airport (Airport) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the Airport's accounting policies.

The Reporting Entity

Spanish Fork/Springville Airport is organized as a joint venture of the City of Spanish Fork and the City of Springville under an interlocal agreement per Section 11-13 of the Utah Code. The Airport accounts for its operations as a governmental-type fund; activities are financed and the cost of services are recovered primarily through user charges, grants and equal direct payments from the two member cities.

The Airport is governed by the city councils of the two participating cities. It also has an oversight board, which is selected from members of the participants' city councils and other citizens of the two communities.

The Airport Oversight Board oversees the operations of the Airport through management employed by the Board. The Airport is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing. As the governing board is made up of the participants' city councils and appointees, each participant has indirect control over these matters.

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the Airport. Governmental activities are supported by charges for services, contributions and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Interest and other items not properly included among program revenues are reported as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - (CONTINUED)

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Airport are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Earned but unreimbursed state and federal grants associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when the Airport receives cash.

The Airport reports the following governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. The Airport's investment policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the Airport's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Capital assets

Capital assets, which include land and airport improvements are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets, are charged to expense.

NOTE 1 - (CONTINUED)

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Improvements	10-30 years

C. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land and improvements) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 1,766,518
Improvements	3,808,040
Construction in Progress	
Less Accumulated Depreciation	<u>(1,886,978)</u>
Net Capital Asset Difference	<u>\$ 3,687,580</u>

NOTE 2 - (CONTINUED)

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 48,718
Depreciation Expense	(141,381)
Net Difference	<u>\$ (92,663)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meetings of the City Councils in May, the Oversight Board submits to the two City Councils a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the two City Councils review and adjust the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution.

Under Utah State law, the Airport's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events. A public hearing must be held to increase the total appropriations the governmental fund.

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits and investments for the Airport are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the Airport's exposure to various risks related to its cash management activities.

NOTE 4 - (CONTINUED)

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Airport's deposits may not be recovered. The Airport's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Airport to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, none of the Airport's bank balances of \$4,474 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Airport's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The Airport is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The following are the Airport's investments at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	<u>\$ 143,830</u>	<u>\$ 143,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Airport manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the Airport's investments are noted above.

NOTE 4 - (CONTINUED)

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 5,182
Investments	<u>143,830</u>
Total	<u>\$ 149,012</u>
Cash and Cash Equivalents	<u>\$ 149,012</u>

NOTE 5 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2006.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital Assets not being Depreciated</u>				
Land and Easements	\$ 1,766,518	\$ -	\$ -	\$ 1,766,518
<u>Capital Assets being Depreciated</u>				
Improvements	3,759,322	48,718	-	3,808,040
Less Accumulated Depreciation	<u>(1,745,597)</u>	<u>(141,381)</u>	<u>-</u>	<u>(1,886,978)</u>
Capital Assets, Net	<u>\$ 3,780,243</u>	<u>\$ (92,663)</u>	<u>\$ -</u>	<u>\$ 3,687,580</u>

NOTE 6 - ECONOMIC DEPENDENCY

The Airport depends upon the continued financial support of both the City of Spanish Fork and the City of Springville. The two cities generally each remit funds sufficient to cover the operating expenses of the Airport.

NOTE 7 - RISK MANAGEMENT

The Airport is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Airport carries insurance. Liability insurance is carried by the Airport through the Fred A. Moreton Company. The policy is for \$1,000,000 with a limit of \$100,000 for any one occurrence.

STATE LEGAL COMPLIANCE REPORT

**GREG OGDEN, CPA
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(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

September 22, 2006

**Airport Board of Directors
Spanish Fork/Springville Airport**

Council Members:

I have audited the accompanying financial statements of the governmental activities and each major fund of Spanish Fork/Springville Airport (Airport), as of and for the year ended June 30, 2006 which collectively comprise the Airport's basic financial statements and have issued my report thereon dated September 22, 2006. The Airport received no major state assistance programs from the State of Utah.

The Airport received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, this program was subject to test work as part of the audit of the Airport's financial statements.)

Airport Improvement Grant (from Utah Department of Transportation)

My audit also included testwork on the Airport's compliance with the following general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

**Cash Management
Budgetary Compliance
Other General Compliance Issues**

**Purchasing Requirements
Special Districts**

The management of the Airport is responsible for the Airport's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In my opinion, the Spanish Fork/Springville Airport, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006.


Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

September 22, 2006

Airport Board of Directors
Spanish Fork/Springville Airport

Council Members:

I have audited the accompanying financial statements of the governmental activities and each major fund of the Spanish Fork/Springville Airport as of and for the year ended June 30, 2006, which collectively comprise Spanish Fork/Springville Airport's basic financial statements and have issued my report thereon dated September 22, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Spanish Fork/Springville Airport's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Spanish Fork/Springville Airport's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the audit committee, the Airport's management, others within the organization, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.


Greg Ogden,
Certified Public Accountant